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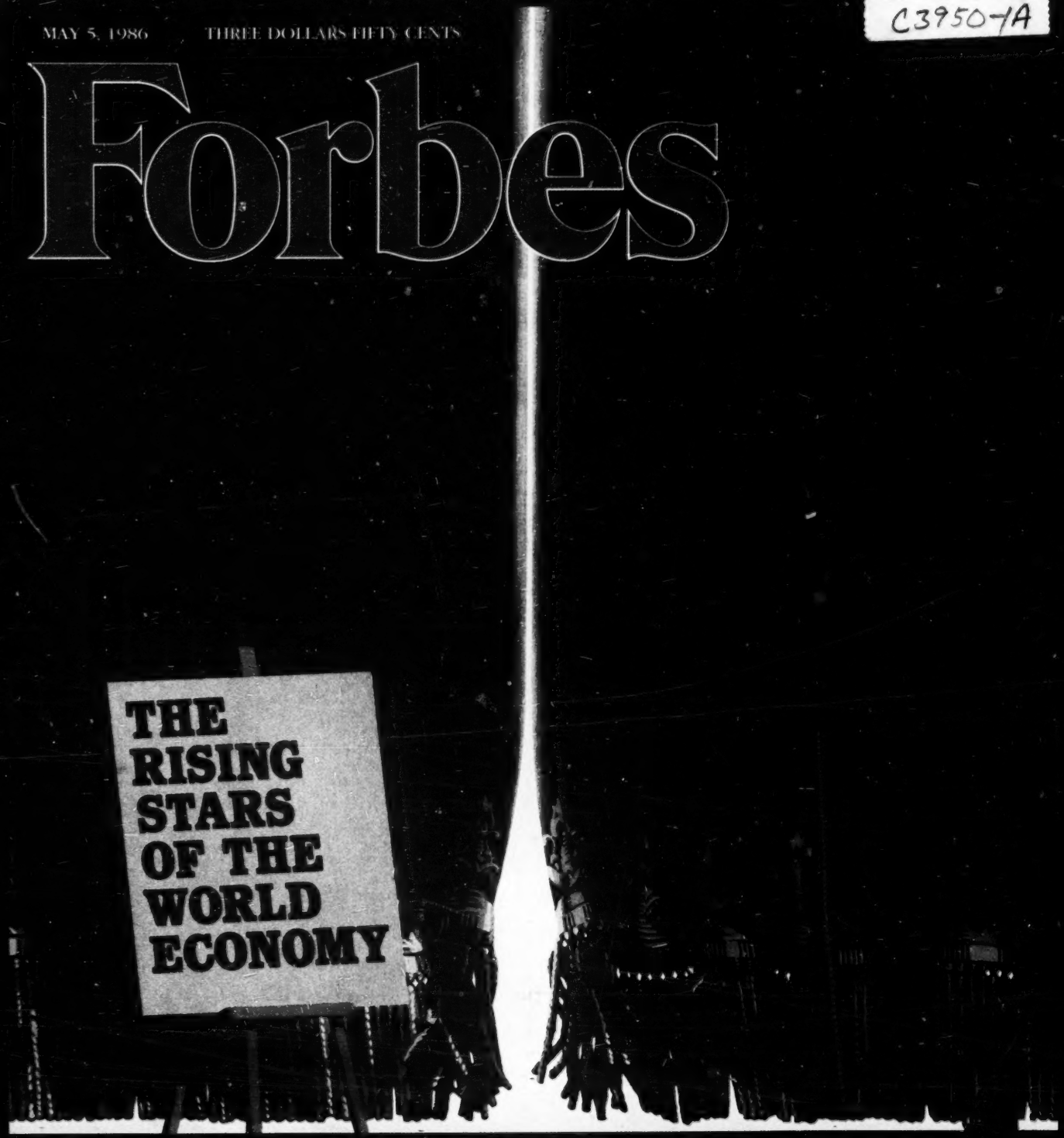

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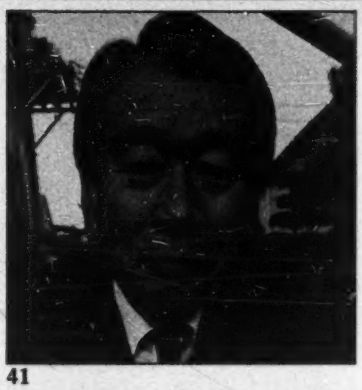

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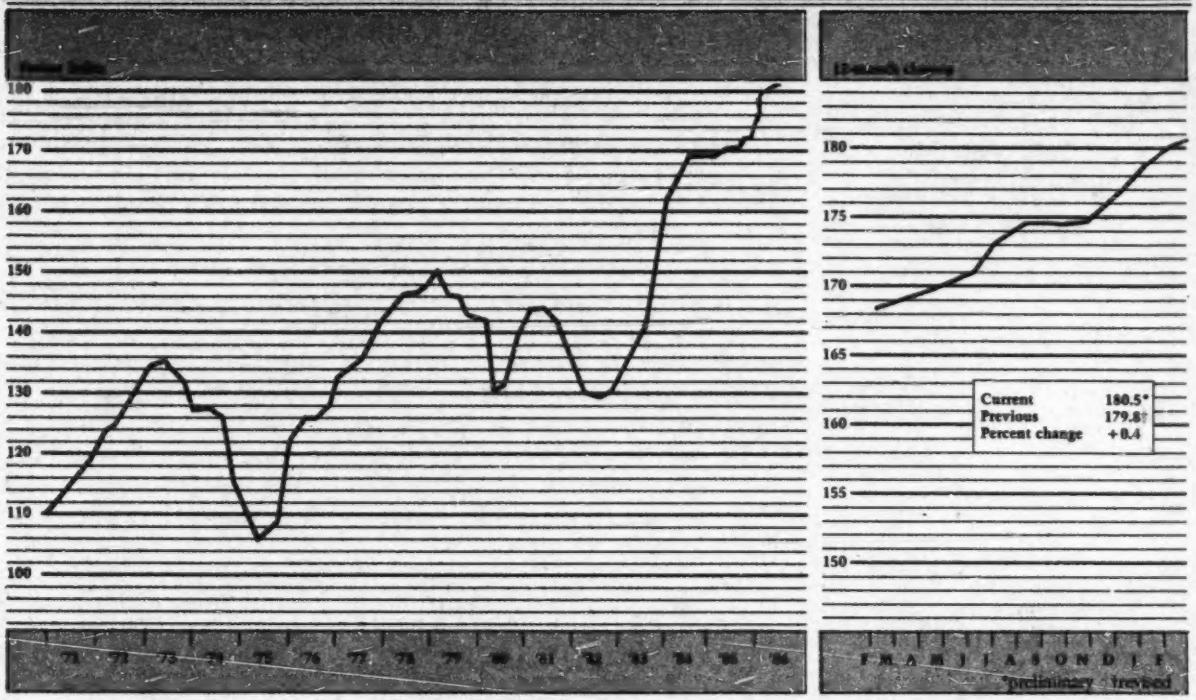
The Forbes Index



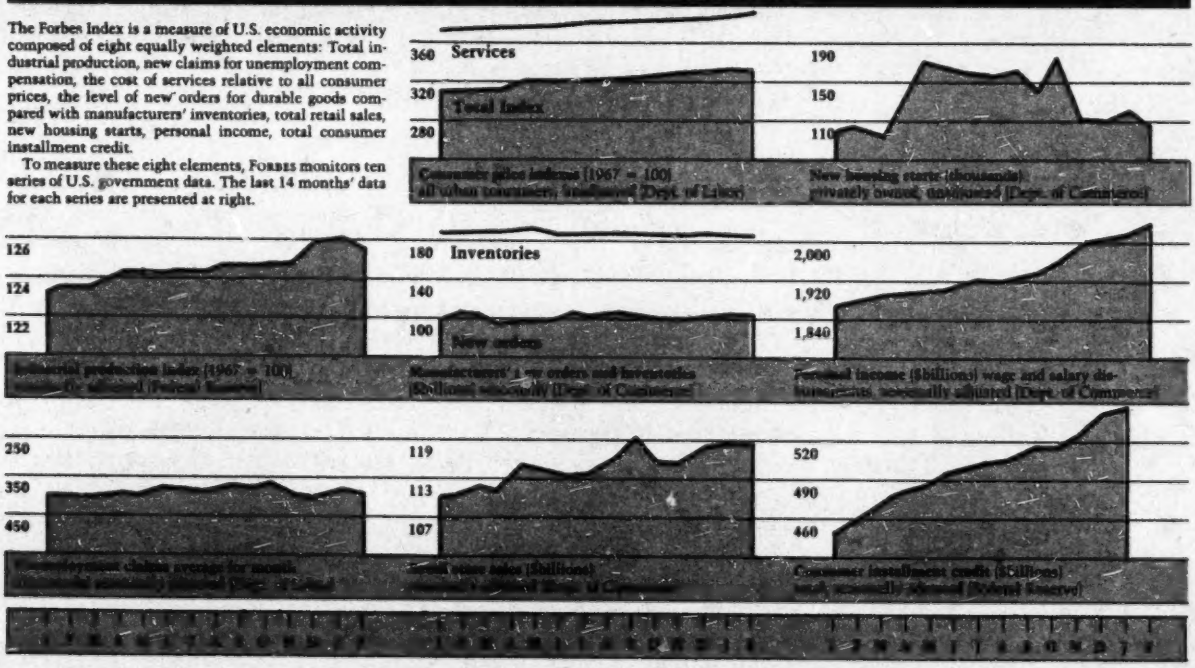
In need of adrenaline. The Forbes Index inched up 0.4% during the latest reporting period, the smallest gain in three months. Unemployment claims, down 0.5% following a 5.5% increase in February, were principally responsible for the increase. Despite a 0.4% drop in inventories—the fifth consecutive monthly decline—new orders for durable goods slipped by 1.2%, an indication that the economy has yet to feel the full impact of declining oil prices and a weaker dollar.

With inflation currently at a modest 3.2% annual rate, there are plausible hopes the Federal Reserve will lower the discount rate further to stimulate the economy.

The Forbes Index Components

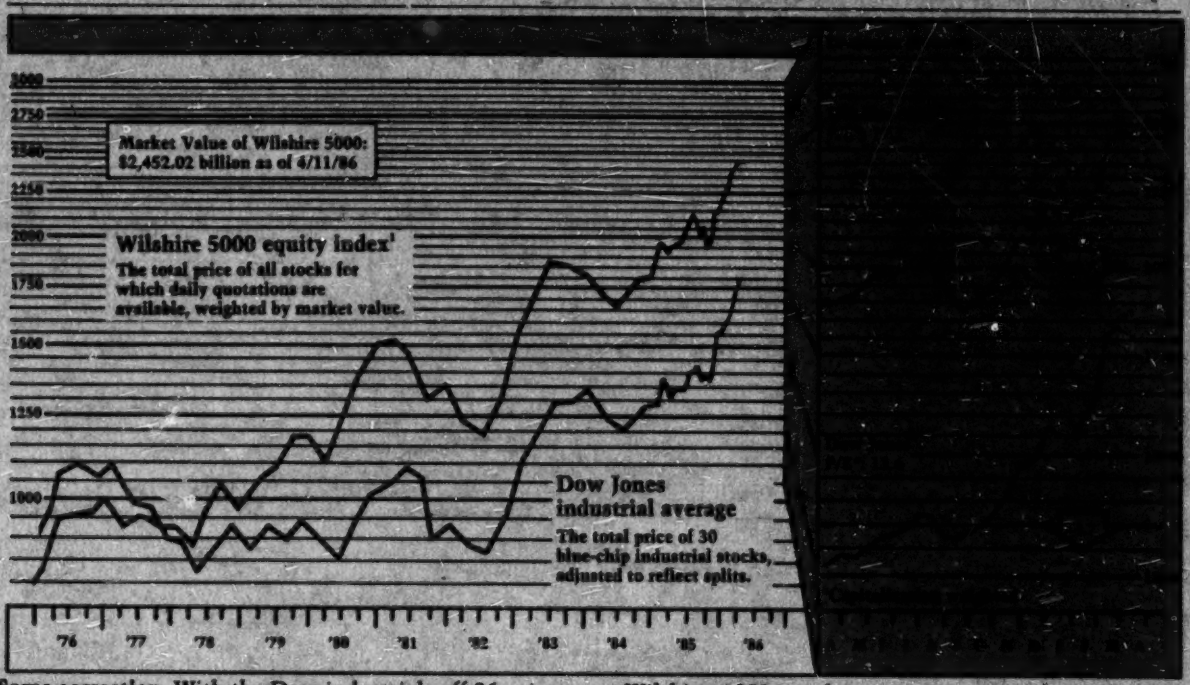
The Forbes Index is a measure of U.S. economic activity composed of eight equally weighted elements: Total industrial production, new claims for unemployment compensation, the cost of services relative to all consumer prices, the level of new orders for durable goods compared with manufacturers' inventories, total retail sales, new housing starts, personal income, total consumer installment credit.

To measure these eight elements, FORBES monitors ten series of U.S. government data. The last 14 months' data for each series are presented at right.



The Forbes/Wilshire 5000 Review

Edited by Steve Kichen



Some correction. With the Dow industrials off 86 points, or 5%, at one point during the latest two-week period, it seemed that the long-awaited correction had come. But if that was it, it was very short-lived. Within a few days the Dow had gained back almost two-thirds of its earlier losses and ended the two-week period off only 1.7%.

Bonds have done almost as well. Total return on the Merrill Lynch corporate-government composite index is 8.7% since Jan. 1, vs. 13.5% for stocks.

Wilshire 5000 stocks are now priced at 17.1 times trailing 12-months' earnings. The last time the market's P/E got up there was in 1972, when inflation was at 3.3% and long governments at 6% (vs. today's 3.2% and 7.7%).

The Dow's temporary correction didn't last long enough to spill over into the secondary market. Both the Amex and the over-the-counter index reached record highs during the latest two-week period, and closed up 0.1% and 1.5%, respectively.

Closeup On The Equity Markets

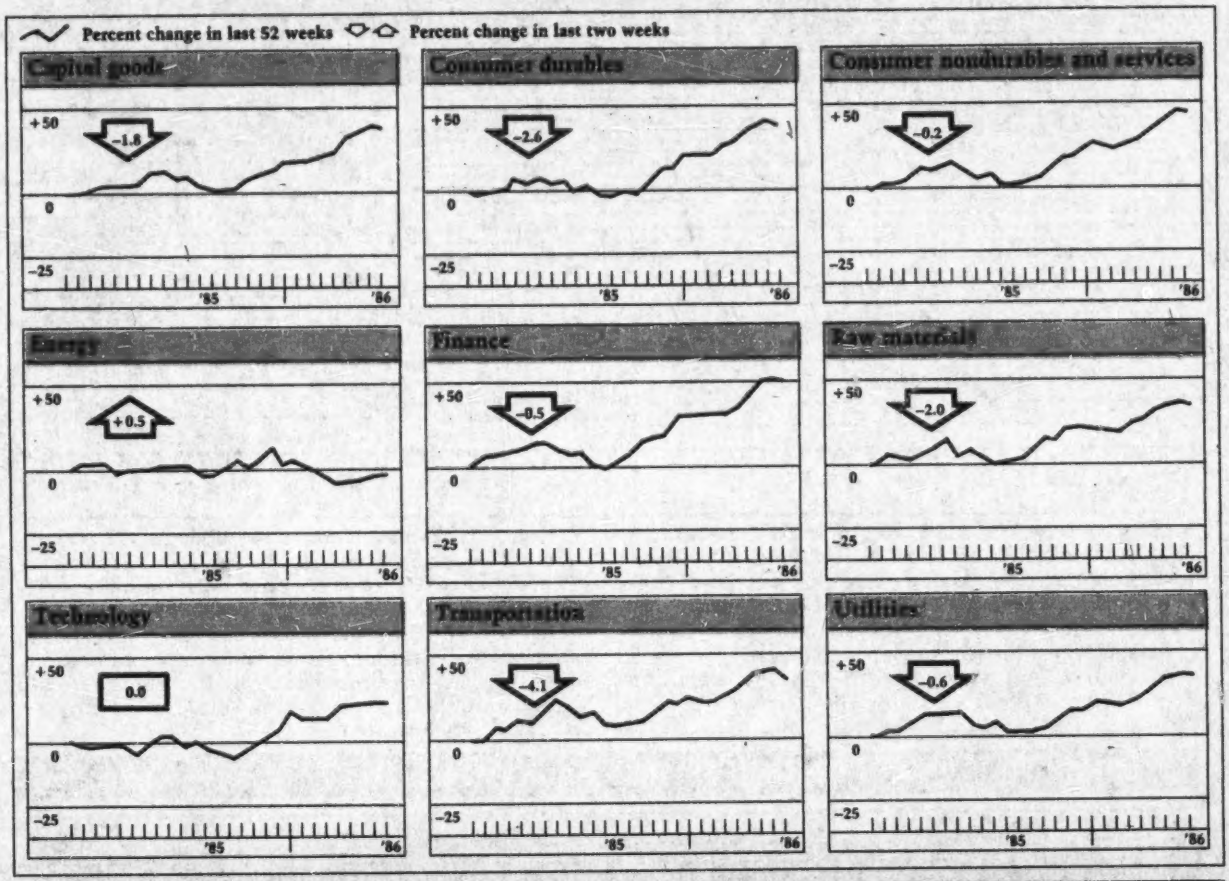
[1]Wilshire index reflects price performance. It differs slightly from market value of outstanding stocks because of retirements of equity since index was created.
[2]Based on sales.
[3]A stock's sensitivity to overall market movement. High-volatility issues have wide price fluctuations, low-volatility issues are more stable.
[4]A quantitative evaluation of a stock's growth image, determined by Wilshire Associates.

Note: All data for periods ending 4/11/86. Prepared by Wilshire Associates, Santa Monica, Calif.

Where The Action Is

Sparks of life in the oilfields. The energy sector, which eked out a gain of 0.5%, was the only one of the nine Wilshire sectors to show a positive return over the most recent two-week period. Many of the stocks in the oilfield moved up toward the end of the period as the May futures contract rose about 40% above its low of $9.75 a barrel a week earlier. Within the energy sector, Unocal, with a gain of 13%, had the biggest increase over the latest two-week period.

Rebounding oil prices, however, didn't help the transportation sector. For the most recent period, it was the worst-performing group, off 4.1%. Shares of Pan Am and TWA were particularly hard hit, losing 16% and 11%, respectively, over the last two weeks.



What The Analysts Think

Betting against the analysts. While the market shows signs of interest in the energy sector, analysts obviously think otherwise. They cut their 1986 earnings estimates for this group by 2% over the latest two weeks and by 9.8% over the most recent four weeks. As the recent action shows, however, it can pay to bet against the estimates.

Forecasting the Future 500

Performance period	Average earnings per share	P/E
latest 12 months	$2.99	15.9
1986 estimates	3.97	12.0
1987 estimates	4.56	10.5

Rank based on change in estimate	Sector	Estimated 1986 EPS	Estimated 1986 P/E	% change in 1986 estimate in 2 weeks	% change in 1986 estimate in 4 weeks
1	Consumer nondurables	$2.38	15.8	0.22 %	-1.62 %
2	Finance	3.80	11.0	0.16	0.05
3	Utilities	3.55	9.4	-0.10	-0.67
4	Raw materials	2.17	14.7	-0.22	-0.96
5	Technology	2.80	14.2	-0.34	-1.58
6	Consumer durables	4.31	9.5	-0.41	3.67
7	Capital goods	2.75	14.3	-0.64	-0.85
8	Transportation	2.50	12.1	-1.02	-2.56
9	Energy	2.84	10.1	-2.00	-9.80

Earnings projections are capitalization-weighted consensus estimates from over 2,000 security analysts. Data are compiled and updated continuously by the Institutional Brokers Estimate System (IBES), a service of Lynch, Jones & Ryan, a New York-based brokerage firm.

Note: All data for periods ending 4/11/86. Prepared by Wilshire Associates, Santa Monica, Calif., IBES, a service of Lynch, Jones & Ryan, New York.